

## Message Text

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SUBJECT: ISRAEL-U.S. BINATIONAL INDUSTRIAL RESEARCH AND  
DEVELOPMENT FOUNDATION (BIRD)

1. IN VIEW OF THE FOREIGN POLICY IMPLICATIONS OF SOME  
OF THE PROBLEMS OF BIRD, U.S. BIRD BOARD OF GOVERNORS  
MEMBERS, ASSISTANT SECRETARY MINK, ASSISTANT SECRETARIES  
BERGSTEN (TREASURY) AND BARUCH (COMMERCE) MET DECEMBER 13.  
MRS. MINK IDENTIFIED THE OUTSTANDING PROBLEMS AS (1)  
THE STATUS OF MR. BLACKMAN'S EMPLOYMENT AS EXECUTIVE  
DIRECTOR AND (2) THE THRUST OF THE GUIDELINES DEVELOPED  
BY MR. BLACKMAN. IN THIS CONNECTION, MRS. MINK ASKED  
IF THERE WAS A REAL DIFFERENCE OF OPINION ON THE  
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PRIMARY FUNCTION OF THE FOUNDATION, I.E., WHETHER ITS  
PRIMARY PURPOSE WAS TO FOSTER R&D PER SE OR RATHER TO  
PROMOTE COMMERCIALIZATION. ALL AGREED THAT COMMERCIALI-  
ZATION WAS THE GOAL TO BE PURSUED. (THE BIRD ADVISORY  
COUNCIL LATER SUGGESTED SOME MODERATION OF THIS  
COMMERCIAL EMPHASIS). OTHER CONCLUSIONS OF THE MEETING  
WERE AS FOLLOWS: (L) THE EXECUTIVE DIRECTOR SHOULD

HAVE A STRONG APPRECIATION OF BIRD'S IMPORTANCE FROM THE STANDPOINT OF U.S. FOREIGN POLICY, (2) U.S. MEMBERS OF THE BOARD SHOULD KEEP IN CLOSE CONTACT AND MEET REGULARLY, (3) EACH BOARD MEMBER SHOULD DESIGNATE A

STAFF ASSISTANT AND THESE PERSONS SHOULD MAINTAIN CLOSE TOUCH ON ALL BIRD MATTERS. STAFF ASSISTANTS SO DESIGNATED AT THE MEETING WERE SCHELL (COMMERCE) AND BANQUE (TREASURY). CHAPMAN WAS LATER DESIGNATED FOR STATE.

2. A MEETING TO CONSIDER REVISIONS TO THE PROPOSED BIRD GUIDELINES FOR EVALUATING PROPOSALS WAS HELD DECEMBER 19 IN COMMERCE ASSISTANT SECRETARY BARUCH'S OFFICE WITH A MUCH LARGER GROUP PRESENT, INCLUDING PROF. YAACOV, PROF. LAVIE, ISRAELI EMBASSY ECONOMIC COUNSELOR EITAN RAFF AND MARC ARON OF THE ISRAELI OFFICE IN NEW YORK. ACTING ASSISTANT SECRETARY BREWSTER ATTENDED FOR MRS. MINK. IT WAS EXPLAINED THAT THE ISRAELI BOARD MEMBERS FEEL THAT (1) THE PRESENT GUIDELINES ARE TOO RIGID, (2) THE COST OF ASSEMBLING THE REQUESTED INFORMATION IS TOO HIGH RELATIVE TO THE EXPECTED AMOUNT OF A PHASE II GRANT, AND (3) THE SCORING CRITERIA GIVE TOO MUCH WEIGHT TO THE PROBABLE SUCCESS OF A PROPOSAL. ONE ISRAELI SUGGESTION WAS TO PROVIDE FOR A SO-CALLED PHASE I AND 1/2 INVOLVING INTERMEDIATE DEVELOPMENT OF A PROPOSAL. AT THE SUG-  
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GESTION OF PROF. LAVIE, IT WAS AGREED THAT IT WOULD BE POSSIBLE TO OMIT FROM THE GUIDELINES MENTION OF THE PROHIBITION ON FUNDING PROJECTS TO BE CARRIED OUT IN LANDS OCCUPIED BY ISRAEL SUBSEQUENT TO JUNE 5, 1967. THIS IS PROHIBITED UNDER THE AGREEMENT ANYWAY AND NEED NOT APPEAR IN THE GUIDELINES. SOME DISCUSSION FOLLOWED ON EFFORTS TO GET BLACKMAN HIRED AS A U.S. GOVERNMENT EMPLOYEE, AND TREASURY ASSISTANT SECRETARY BERGSTEN EXPRESSED STRONG CONCERN THAT BLACKMAN NOT BE PERCEIVED AS A USG EMPLOYEE -- REFLECTING AMBASSADOR LEWIS' VIEWS EXPRESSED IN A PREVIOUS PHONE CONVERSATION. HE WANTED TO INSURE THAT BLACKMAN WOULD NOT BE ATTACHED TO THE AMERICAN EMBASSY IN ANY WAY. BARUCH SAID BLACKMAN'S ARRANGEMENTS WOULD BE UNIQUE AND WOULD NOT CONSTITUTE A PRECEDENT FOR FUTURE EXECUTIVE DIRECTORS. THERE FOLLOWED CONSIDERABLE INCONCLUSIVE DISCUSSION ABOUT THE BIRD BUDGET, A TIMETABLE FOR APPROVING PROPOSALS, AND THE RATIONALE FOR THE LEVEL OF SUPPORT PROJECTS SHOULD RECEIVE AND THE TIE BETWEEN THAT AND THE SCORING CRITERIA. DR. BERGSTEN PROPOSED TYING THE AMOUNT OF ROYALTIES BIRD RECEIVES DIRECTLY TO THE AMOUNT OF FUNDS BIRD CONTRIBUTES TO THE PROJECT. THE

ISRAELIS DID NOT ENTIRELY AGREE, BUT THEY, TOO, FELT THERE WAS NEED TO TRANSLATE THE PRESENT PARAGRAPH ON ROYALTIES INTO NUMBERS.

3. ON DECEMBER 22 A MEETING OF THE U.S.-ISRAEL BI-NATIONAL ADVISORY COUNCIL ON INDUSTRIAL R&D WAS HELD

IN NEW YORK WITH 18 PERSONS ATTENDING, MAINLY AMERICAN BUSINESSMEN BUT ALSO A FEW U.S. GOVERNMENT AND ISRAELI REPRESENTATIVES. CHAIRMAN JACK GOLDMAN OF XEROX POINTED OUT THAT THE IDEA FOR BIRD HAD BEEN GENERATED IN THE COUNCIL, AND BIRD WAS CONCEIVED BY THE COUNCIL AS A MEANS OF CREATING AN INDUSTRIAL R&D CAPABILITY IN ISRAEL BY ENGAGING U.S. AND ISRAELI FIRMS TOGETHER IN PROJECTS.  
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MR. BLACKMAN THEN PROVIDED A PRESENTATION ON STEPS TAKEN THUS FAR IN ACTIVATING BIRD. HE TOUCHED BRIEFLY ON LEGAL AND INSTITUTIONAL DIFFICULTIES (INCLUDING HIS LACK OF AN AGREED EMPLOYMENT CONTRACT). HE REPORTED THAT SUITABLE QUARTERS HAD BEEN FOUND IN TEL AVIV AND THAT THE ANTICIPATED STAFF OF ONE TECHNICAL ASSISTANT, ONE ADMINISTRATIVE ASSISTANT AND TWO SECRETARIES HAD BEEN SELECTED. AN INFORMATION LEAFLET ABOUT BIRD HAS ALSO BEEN PRINTED AND DISTRIBUTED, AND OVER 80 PRE-LIMINARY PROPOSALS FROM ISRAELI SOURCES HAVE BEEN RECEIVED.

4. DISCUSSIONS COVERED TENTATIVE ARRANGEMENTS WITH MIT (HOLOMAN) FOR A BIRD EVALUATION STUDY AND WITH BRANDEIS (CARTER) FOR A STUDY OF OPENINGS FOR ISRAELI INDUSTRY IN WORLD TRADE. SOME EXCEPTION WAS TAKEN TO THE LATTER, SINCE IT APPEARED MORE PROPER FOR THE ISRAELI MINISTRY OF COMMERCE AND INDUSTRY TO UNDERTAKE SUCH A STUDY THAN FOR BIRD TO DO IT. SUBSEQUENT EXCHANGES DEALT WITH BLACKMAN'S PROMOTIONAL LIAISON WITH U.S. INDUSTRY AND WITH AGENCIES OF THE U.S. GOVERNMENT. ALTHOUGH YAACOV OPPOSED PROMOTIONAL WORK WITH AMERICAN INDUSTRY IN VIEW OF THE 80 ISRAELI PROPOSALS AWAITING BIRD CONSIDERATION, BARUCH MADE A STRONG PLEA FOR WIDE PROPOSAL SOLICITATION AND THE DEFERRAL OF ANY AWARDS UNTIL AT LEAST PRELIMINARY GUIDELINES HAD BEEN PUBLISHED FOR ALL TO USE IN PROPOSAL PREPARATION.

5. A BLACKMAN FORMULATION ON THE OBJECTIVE OF BIRD DREW THE MOST LIVELY DISCUSSION OF THE DAY WITH A FINAL CONSENSUS THAT COMMERCIALIZATION WAS NOT REPEAT NOT THE SOLE FUNCTION OF BIRD. INSTEAD, BARUCH SUMMARIZED, THE OBJECTIVE HAS THREE ESSENTIAL PARTS:  
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(1) INDUSTRIAL R&D, (2) COMMERCIAL SUCCESS, AND (3) COLLABORATION OF U.S. AND ISRAELI INDUSTRY. FURTHER, IT WAS AGREED THAT SOMEWHAT LESS RIGIDITY ON CRITERIA FOR JUDGING PROPOSALS MIGHT ELICIT MORE PROPOSALS, ALBEIT, PERHAPS, AT A LOWER SUCCESS RATE, BUT A GREATER OVERALL CHANCE OF TRULY INNOVATIVE R&D.

6. AT THE END OF THE MEETING THE COUNCIL RECOMMENDED TO THE BIRD THAT: (1) BLACKMAN AND BARUCH SHOULD

COLLABORATE ON A THIRD DRAFT OF THE GUIDELINES TO INCORPORATE IDEAS DISCUSSED IN RECENT DAYS WITH THE ISRAELIS AND THE COUNCIL, SIMPLIFYING THEM AND OMITTING SCORING MODELS, (2) THIS DRAFT SHOULD BE MAILED EARLY IN JANUARY TO COUNCIL MEMBERS IN THE U.S. AND ISRAEL FOR THEIR COMMENTS, (3) AFTER INDIVIDUAL STUDY, THE THIRD DRAFT SHOULD BE DISCUSSED BY THE ISRAELI SIDE OF THE COUNCIL AND 4-5 PROPOSALS SHOULD BE SELECTED FOR TESTING THE GUIDELINE CRITERIA, (4) THE FULL COUNCIL SHOULD MEET FEBRUARY 16-17 IN ISRAEL TO SUGGEST FINAL TOUCHES TO THE GUIDELINES USING THE 4-5 PROPOSALS TO TEST THEIR PRACTICABILITY, AND (5) THE BIRD BOARD OF GOVERNORS AT ITS MEETING FEBRUARY 20-21 COULD THEN CONSIDER APPROVING THE GUIDELINES AND SOME PHASE I PROPOSALS. THE STATE DEPARTMENT WILL MAIL COPIES OF THE THIRD DRAFT GUIDELINES TO THE AMERICAN EMBASSY IN TEL AVIV AT THE SAME TIME THEY ARE MAILED TO ISRAELI BOARD MEMBERS THROUGH THE ISRAELI DIPLOMATIC POUCH.

7. U.S. DIRECTORS PLAN TO MEET JANUARY 6 TO CONSIDER STATUS OF BLACKMAN'S EMPLOYMENT AND BIRD PROCEDURAL PROBLEMS. SEPTELS DEAL WITH QUESTIONS RAISED TEL AVIV 10746 AND OPTIONS WITH RESPECT TO BLACKMAN'S EMPLOYMENT STATUS. CHRISTOPHER

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